

DEPARTMENT OF SOCIAL SERVICES

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April 14, 1980

ALL-COUNTY LETTER NO. 80-22

• TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: TAX CREDITS


REFERENCE:

The attachment to this ALL-COUNTY LETTER sets forth the revisions to the WIN/Welfare Tax Credit Program as enacted by the Revenue Act of 1978 (Public Law 95-600) and provides guidelines to the counties for cooperating with EDD to implement the program as revised. The attachment also contains brief descriptions of the California Jobs Tax Credit (state), and Targeted Jobs Tax Credit (federal) programs. Both of these programs are administered by EDD.

For your information, a copy of EDD's new Field Office Manual (FOM) "Employment Tax Credit Programs", containing detailed EDD procedures for all of the tax programs referred to above, is also attached.

Counties should not attempt to answer technical questions or provide tax information beyond the guidelines set forth in this letter. Such inquiries should be referred to the local Internal Revenue Service or Franchise Tax Board, as appropriate.

If you have any questions regarding the contents of this letter, please contact your AFDC Management Consultant at (916) 445-4458.


MARION J. WOODS
Director

cc: EDD

Attachment

TABLE OF CONTENTS

	<u>Page</u>
I. SUMMARY (WIN/WELFARE TAX CREDIT)	1
II. SPECIFIC PROVISIONS	1
A. Eligible Employees Defined	1
B. Conditions of Employment	1
C. Tax Credit Limitations	1
III. IMPLEMENTATION	2
A. Coordination with EDD	2
B. Voucher	2
C. Certification	3
IV. OTHER TAX CREDIT PROGRAMS	4
A. Targeted Jobs Tax Credit	4
B. California Jobs Tax Credit	5

ATTACHMENTS:

1. Internal Revenue Service Form No. 6177 (one copy to each CWD only)
2. EDD's New Field Office Manual (FOM), Employment Tax Credit Programs, Sections 2500 - 2599 (one copy to each CWD only)

I. SUMMARY (WIN/WELFARE TAX CREDIT)

On November 6, 1978, Public Law 95-600 (the Revenue Act of 1978) was enacted amending Section 401 of Public Law 94-12 (the Tax Reduction Act of 1975) and Section 2107(d) of Public Law 94-455 (the Tax Reform Act of 1976). The new legislation changes the WIN and Welfare Tax Credit provisions by combining and equalizing the benefits of both credits while maintaining the differences in eligibility requirements. This legislation also makes these tax credits permanent.

II. SPECIFIC PROVISIONS

A. Eligible Employees

Eligible employees include:

1. WIN registrants who are hired after September 26, 1978, and;
2. Federally eligible non-WIN AFDC recipients who have been receiving federal AFDC assistance for at least 90 days prior to the date they are hired and are hired after September 26, 1978.

B. Conditions of Employment

1. All applicable provisions of federal, state, and local laws and regulations dealing with wages, hours, and working conditions must be met; and
2. The employment must be for a period of at least 30 days on a substantially full-time basis.

C. Tax Credit Limitations

1. Employers in Trade or Business who hire a WIN registrant or a federally eligible non-WIN AFDC recipient are entitled to a tax credit equal to 50 percent of up to the first \$6,000 in qualified first-year wages per employee (a maximum of \$3,000); and 25 percent of up to \$6,000 of the qualified second-year wages (a maximum of \$1,500). This amounts to a maximum credit of \$4,500 per employee who is retained over a two-year period.
2. Nonbusiness Employers who hire maids, chauffeurs, and other employees to work in the employer's home are entitled to a credit equal to 35 percent of up to \$6,000 of qualified first-year wages for each eligible employee, or a total credit of up to \$2,100 per employee. No credit for second-year wages is allowed. The maximum amount of nonbusiness wages for all employees (of any one employer) who may qualify for the credit is limited to \$12,000 for the taxable year.
3. Only one federal tax credit may be claimed per employee even though that employee may qualify for more than one.

III. IMPLEMENTATION

A. Coordination with EDD Required

The operation of the WIN/Welfare Tax Credit Program requires the coordinative efforts of the Department of Social Services (DSS), the County Welfare Departments (CWD), and the Employment Development Department (EDD). Optimum benefits of this program can only be achieved by a full commitment on the part of both EDD and CWDs. County welfare departments are encouraged to enter into nonfinancial agreements with local EDD offices, identifying the roles and responsibilities of each agency relative to (1) verification of aid status, (2) vouchering, and (3) certification of eligible employees. (See FOM, forms supplement, for model agreements.)

B. WIN/Welfare Tax Credit Voucher

1. Purpose

A tax credit voucher is a sales tool for recipients seeking jobs. It states that hiring the individual named on the voucher may enable the employer to receive a tax credit.

The AFDC recipient must give permission in writing to release information to an employer regarding his/her WIN/Welfare status before an employer certification may be authorized. This must be accomplished on the WIN/Welfare Tax Credit Voucher. (See FOM, forms supplement, for a copy of the Voucher (DE 8731) and instructions for its use.)

2. Issuance of Vouchers

- (a) EDD will issue vouchers to all WIN registrants.
- (b) The county welfare departments may and are encouraged to issue vouchers to all eligible AFDC recipients who are not WIN registrants and who express a desire to seek employment. However, EDD may issue vouchers to these individuals when referrals by county welfare departments is so stipulated in the approved local agreement.
- (c) The local agreements will permit addressing any unique situation which may exist in a particular locale. For example, in counties where there are no EDD offices, the county may assume responsibility for the issuance of vouchers.

3. Distribution of Vouchers

When the voucher is issued by the county welfare department, distribution of copies should be as follows:

- (a) Original to the recipient.

(b) One copy retained in files.

(c) One copy to the local EDD field office.

C. Certification

A certification is an official statement to the employer that the employee's WIN or Welfare status is such that it qualifies the employer to receive a tax credit. Before a certification can be issued, the certifying agency must either:

(a) Verify that the individual is a WIN registrant, or

(b) Verify that the individual has been an AFDC recipient for at least 90 days as specified in Section II. A. 2 of this letter.

See FOM forms supplement, for a copy of the required WIN/Welfare Tax Credit Certification Form (DE 8347) and instructions for using the form.

The following alternatives should be considered in negotiating local agreements with EDD:

1. Although EDD is responsible for the vouchering and certification of all WIN registrants under the WIN Tax Credit Program, county welfare departments may assume responsibility for vouchering and/or certification of non-WIN recipients under the Welfare Tax Credit Program; or
2. Either EDD or CWD may assume responsibility for all vouchering and certification in those counties where this is agreed to by both parties. If this option is elected, the county would retain responsibility for verification of non-WIN recipients' eligibility to facilitate EDD's making the certifications; or
3. County welfare departments and EDD may both voucher and certify non-WIN recipients; in this case, the agreement should seek to avoid one agency duplicating the activities of the other.

The decision as to which alternative will be adopted should be based upon how best to provide optimum service to the recipient. The local agreement should specifically set forth all agreed upon roles and responsibilities delegated to each agency.

The Department of Social Services is reviewing its regulations to determine what changes may be necessary under this new legislation. Appropriate revisions will be scheduled for public hearing as soon as possible.

IV. OTHER TAX CREDIT PROGRAMS

A. Targeted Jobs Tax Credit

The Targeted Jobs Tax Credit (TJTC) is designed to provide an incentive to employers to hire certain persons from groups that have a particularly high unemployment rate, or that have special needs.

The law specifies that people in the following groups are eligible for the TJTC:

1. Recipients of Supplemental Security Income (SSI) payments;
2. Handicapped individuals referred from certain vocational rehabilitation programs;
3. Youth, 18 through 24, who are members of an economically disadvantaged family, i.e., with income the preceding six months less than 70 percent of the Bureau of Labor Statistics lower living standard;
4. Vietnam-era veterans under 35 who are members of an economically disadvantaged family;
5. Recipients of general assistance under a qualified general assistance program for any 30-day period, the last day of which occurred within the 60 days immediately preceding hire.
6. Youth 16 through 18, participating in an approved cooperative education program; and
7. Ex-felons who are members of an economically disadvantaged family and hired within five years of release from prison or date of conviction, whichever is later.

AFDC recipients are NOT general assistance recipients and are therefore NOT members of group #5, above. An AFDC recipient can be eligible for TJTC only if he/she is in one of the other six target groups.

Recipients of General Assistance are TJTC eligible only if the county's General Assistance Program has been approved as "qualified" by the Internal Revenue Service (IRS). The IRS requires CWDs to submit an IRS Form 6177 to one of their district offices so that a determination can be made as to the eligibility of the county's general assistance programs for the TJTC Program. While the DSS cannot mandate the counties to participate in the TJTC Program, the Department does encourage the 6177 submission so that GA recipients may avail themselves of the TJTC Program as an aid in job-search activities.

The following counties should submit the Form 6177 to:
Ms. Elaine DeBellis, Internal Revenue Service, Tax Payer Service Division, 16941 South Keegan Avenue, Carson, California 90747, telephone (213) 603-2307.

Imperial
Inyo
Kern
Los Angeles

Mono
Orange
Riverside
San Bernardino

San Diego
San Luis Obispo
Santa Barbara
Ventura

The counties not listed above should submit the Form 6177 to:
Mrs. Lou Grant, Internal Revenue Service, Tax Payer Services
Division, 1221 Broadway, 4th Floor, Oakland, California 94612,
telephone (415) 273-7056. A sample Form 6177 is attached.

SSI/SSP recipient eligibility determinations are not the
responsibility of CWDs. A national agreement has been made with the
SSA and they are responsible for these TJTC recipient
determinations.

This federal tax credit is equal to 50 percent of first year wages up
to \$6,000 and 25 percent of second year wages up to \$6,000 for each
eligible employee.

B. California Jobs Tax Credit

During the 1979 legislative session, the California Legislature
created the California Jobs Tax Credit Program. This program was
developed to provide a state tax credit which complemented the
federal tax credits resulting from the Federal Revenue Act of 1978.
The California program provides employers that hire certain
categories of welfare recipients with a state tax credit equal to 10
percent of the first \$3,000 in wages for both the first and second
year of the recipient's employment. Members of the following target
groups may entitle employers to a California Jobs Tax Credit:

1. Win registrants.
2. Recipients of Aid to Families with Dependent Children (AFDC) for
90 days or more at the time of hire.
3. Recipients of Supplemental Security Income/State Supplementary
Program (SSI/SSP).
4. Recipients of Internal Revenue Service approved General
Assistance (GA) who received aid 30 days within the 60 days
immediately preceding date of hire.